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No. 82/136

December 7, 1982

TO COUNTY ASSESSORS:

TAXABLE GOVERNMENT-OWNED PROPERTY

We have re-examined our policy regarding the valuation of property owned by local government but located outside its boundaries. Such properties are subject to valuation under Section 11 of Article XIII of the Constitution. The problem arises when we consider the effect of Article XIII A on this type of property.

In the case of land, we are in agreement with the answer stated in question four, page two, of assessors' letter 79/187, dated October 19, 1979. This is stated as follows:

"Land

- (1) Located in Inyo County - apply the Phillips factor established by the Board to the 1966 assessed value.
- (2) Located in Mono County - apply the Phillips factor to the 1967 assessed value.
- (3) Located outside of Inyo and Mono Counties - use the lower of the current fair market value as defined in Section 110 of the Revenue and Taxation Code or the value determined by applying the Phillips factor to the 1967 assessed value."

In the case of land, Section 11(b) of Article XIII of the Constitution states:

"...Taxable land belonging to local government and located outside of Inyo and Mono Counties shall be assessed at the place where located and in an amount that does not exceed the lower of (1) its fair market value ... (2) a figure derived in a manner specified in this section for land located in Mono County."

This section clearly calls for the lower of current fair market value and the value determined by applying the Phillips factor to the 1967 assessed value.

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In the case of improvements, however, nothing in the language of Section 11 specifically prescribes the valuation standard to be applied to improvements that either were taxable when acquired or are replacements for those that were taxable when acquired. Therefore, absent any such value standard, we must revert to the valuation standard applicable to all other real property whose taxable value is not specifically restricted by Constitutional provisions; namely, to the valuation standard defined in Article XIII/A. Therefore, we conclude that Article XIII/A is to be considered in assessing improvements owned by local governments.

The second part of question four of assessor's letter 79/187 regarding the assessment of improvements that are taxable when acquired should read:

Improvements Taxable When Acquired

- (1) Original improvements, taxable when acquired, are taxable at the lesser of their current full cash value as defined in Section 110 or their full cash value as defined in Section 110.1 of the Revenue and Taxation Code.
- (2) Replacement improvements built before March 1, 1954 are taxable at the lesser of their current full cash value as defined in Section 110 or at their full cash value as defined in Section 110.1.
- (3) Replacement improvements built after March 1, 1954 are taxable at the lesser of their current full cash value as defined in Section 110, their full cash value as defined in Section 110.1 or the highest full value ever used for the taxation of the improvements that have been replaced. For purposes of this calculation, the full value for any year prior to 1967 shall be conclusively presumed to be 4 times the assessed value for that year.

The Phillips factor does not apply to improvements.

I hope that this information is helpful to you. If you have any questions, please call our Technical Services Unit (Real Property) at (916) 445-4982.

Sincerely



Verne Walton, Chief
Assessment Standards Division

VW:bjb
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